

**2015-2016 PROPOSED BUDGET
RESPONSE TO REQUEST FOR INFORMATION**

DEPARTMENT: Watershed Protection

REQUEST NO.: 1

REQUESTED BY: Renteria

DATE REQUESTED: 01/09/15

DATE POSTED: 01/28/15

REQUEST: Please provide some background on the drainage fee and how it has changed over the last 5 years. Also, please provide some information on the current process that is proposing changes to the structure of the fee.

RESPONSE:

The Drainage Utility Fee (DUF) is the monthly fee assessed to City of Austin utility customers. This is managed by the Watershed Protection Department (WPD). Revenue increases are commonly the result of population growth, annexations and development through the addition of new customers along with a determination of the level of funding necessary to fully account for increases in citywide cost drivers, new personnel and general operating requirements. The below table illustrates the increase in the DUF by both residential and commercial customers over the past five years.

Fiscal Year	Residential per month	Residential Inc/(Dec)	Residential % Inc/(Dec)	Commercial Per acre/month	Commercial Inc/(Dec)	Commercial % Inc/(Dec)
2010-11	\$7.75	\$0.00	-	\$191.50	\$0.00	-
2011-12	\$7.75	\$0.00	-	\$191.50	\$0.00	-
2012-13	\$8.35	\$0.60	7.74%	\$206.33	\$14.83	7.74%
2013-14	\$9.20	\$0.85	10.18%	\$227.33	\$21.00	10.18%
2014-15	\$9.80	\$0.60	6.52%	\$242.16	\$14.83	6.52%

Increases in the Drainage Utility Fee from FY 2011-2015 can largely be categorized in four ways. First are citywide annual cost drivers, such as employee wage adjustments, health insurance, fleet maintenance, fuel costs, and transfers for other requirements like citywide administrative support, Workers' Compensation. This totals \$6.7 million over this period. Second, WPD has added a net total of 24.25 new full-time equivalents (FTEs) for a total cost of \$2.9 million. Ten of these FTEs were added in FY 2014 to operate and maintain the Waller Creek Tunnel. Third, the Department has taken an active approach by investing in their Capital program. Transfers to the Capital program during this timeframe resulted in a net total of \$7.2 million. Lastly, a net total of \$6.1 million has largely been utilized to fund general operating increases for equipment, temporary personnel, service agreement contracts, debt service requirements, IT software maintenance, engineering, planning and consulting services.

The most significant expenditure in this five-year historical review is the Drainage Utility Fund's gradual increased transfer to the CIP Budget as a component of WPD being a self-supporting utility. WPD last received master plan project funding as part of the 2006 bond program. It was also determined that WPD would no longer receive funding for master plan projects from bond programs when the 2012 program was assembled. As of January 2015, of the \$95.0 million received for master plan projects,

\$83.6 million has been spent, \$3.3 million is encumbered and \$8.1 million remains to be encumbered and/or spent.

Beginning with FY 2010, WPD planned multi-year drainage fee increases in order to reduce reliance on general obligation bond funding for its capital improvement projects and to meet its continuing operational needs. For FY 2010, the transfer amount was \$17 million. In FY 2015, the transfer was approved at \$24 million. The departmental goal has been to increase the transfer amount to \$30 million per year in accordance with the need identified by the Watershed Protection Master Plan published in 2001. This target amount is anticipated to be reached by FY 2019 based on current estimates.

In June of 2014, a State District Judge ruled the Drainage Utility Fee was “invalid” largely due to how the fee was applied to multi-family users. WPD has taken an active approach to restructuring the DUF based on this ruling in accordance with this recent court challenge and the availability of improved, more cost effective, Geographic Information System (GIS) data. A briefing of these proposed changes was provided to the City Manager’s Office in October of 2014 and the Environmental Board on December 3rd of the same year. The department is currently conducting targeted meetings with stakeholders to present the proposed changes to the DUF as well as solicit feedback. These stakeholders include the Real Estate Council of Austin, Austin Apartment Association, Building Owners and Managers Association, and others. Lastly, an additional three general public meetings on the same topic are planned for February of 2015.